



JUNE 2014
DULLES CORRIDOR ENTERPRISE
REPORT OF THE FINANCIAL ADVISORS

The Airports Authority established the Dulles Corridor Enterprise (DCE) Fund to segregate the financial activity associated with the operation, maintenance and improvement of the Dulles Toll Road (DTR) and construction of the Dulles Corridor Metrorail Project (Rail Project) from the financial operations of the Airports. This report provides an update on the status of capital financing activities and other issues related to the DCE Fund.

Action Items

No Action Items to Report

Informational Items

- ***Dulles Toll Road Second Senior Lien Revenue Refunding Bonds, Series 2014A.*** The Airports Authority successfully closed the \$421,760,000 transaction on May 22, 2014. The Series 2014A Bonds were structured as tax-exempt current interest term bonds maturing on October 1, 2053. The Bonds were used to refund \$245,545,000 of Commercial Paper and \$150,000,000 of Subordinate Notes. The all-in total interest cost for the transaction was 4.82 percent.
- ***Transportation Infrastructure Finance and Innovation Act (TIFIA) Program.*** Staff and advisors for the Airports Authority and the Counties of Fairfax and Loudoun are working closely with USDOT and its advisors to negotiate the final business terms for the TIFIA loans.
- ***TIFIA Anticipation Note.*** The Airports Authority's Finance Staff and the Financial Advisors are reviewing additional information and financial analyses submitted by the three firms selected by the Board for potential negotiation of a TIFIA anticipation note transaction(s). Preliminary findings and recommendations will be presented to the Board Finance Committee at its July meeting.
- ***Extension of Existing Commercial Paper Program.*** Staff is in the process of extending \$150,000,000 of the existing \$300,000,000 Commercial Paper (CP) Program with JP Morgan for one year through August 2015. The extension of the CP Program provides a contingency source of funds for the Project as and if needed until the TIFIA Loan closes.

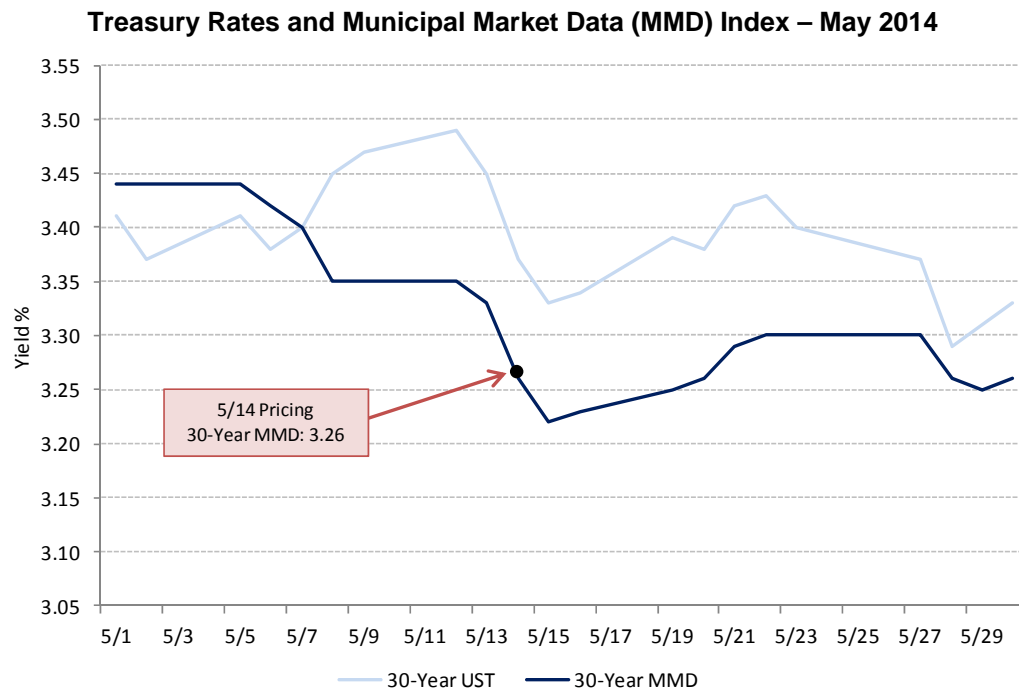
Relevant News Items

- **Moody's Cites TIFIA Loan Approval as Credit Positive.** Moody's Investors Service describes the approval of TIFIA loans for the Rail Project as a credit positive for Fairfax and Loudoun Counties. The comments published on May 19, 2014, in Credit Outlook note that the Silver Line is expected to spur economic development "that will strengthen the Counties already sizable and diverse tax bases."

Market Update

Treasury rates increased in the second week of May amidst new supply and mixed economic data, and then declined and flattened in the middle of the month. Long-term tax exempt interest rates decreased through the first half of the month due to a light calendar of issues and continued inflows into municipal bond funds. Both taxable and tax exempt rates dipped low and then increased slightly in the final days of the month on news of better than expected housing and employment data.

In addition to the Airports Authority's Dulles Toll Road Series 2014A Bonds pinpointed on the chart below, other notable toll road transactions in May included \$500 million for the Illinois Tollway, \$1 billion for the New Jersey Turnpike and \$900 million for the Missouri Highways and Transportation Commission. Ratings on these credits ranged from A1/A+ to Aaa/AAA.



The interest rate on the TIFIA loan is based on the State and Local Government Series (SLGS) rate. SLGS are special purpose securities that the Treasury issues to state and local government entities. The interest rate on the TIFIA loan is 1 basis point higher than the 30-year SLGS rate which is available on a daily basis. On June 3, 2014, the interest rate for a 35-year TIFIA loan was 3.39 percent.

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT**SHORT-TERM NOTES AND LOANS**

Commercial Paper Notes. On May 22, 2014, the Airports Authority refunded \$245,545,000 of Dulles Toll Road Second Senior Lien Commercial Paper Notes, Series One, with proceeds of the Series 2014A Bonds. As of June 1, 2014, \$54,455,000 of Commercial Paper Notes remains outstanding.

Under the existing agreements with JPMorgan Chase Bank, National Association, the Airports Authority can draw an additional \$95,545,000 under this program.

Program	Authorized Amount	Letter of Credit Provider	Dated Date	Expiration Date
<i>Commercial Paper Series One</i>	<i>Up to \$150 Million</i>	<i>JP Morgan</i>	<i>August 1, 2011</i>	<i>August 11, 2014</i>

The following table shows the rolling three-month averages of the Commercial Paper Notes and the Securities Industry and Financial Markets Association (SIFMA) Index on a monthly basis for 2014.¹

2014 Variable Interest Rates (3-Month Rolling Average)

Monthly	CP 1 JPM	SIFMA	Spread
May 2014	0.09%	0.07%	0.02%
April 2014	0.10%	0.06%	0.04%
March 2014	0.12%	0.04%	0.08%
February 2014	0.13%	0.04%	0.09%
January 2014	0.13%	0.05%	0.08%

¹ The SIFMA index is a national rate based on a composite of approximately 250 issuers of high-grade, seven-day tax-exempt variable rate demand obligation issues of \$10 million or more.

FFGA Notes. On December 17, 2012, the Airports Authority issued \$200 million of fixed rate notes secured by the remaining Federal funding anticipated to be received pursuant to a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration for Phase 1 of the Rail Project.

Program	Amount Issued	Rate	Lender	Dated Date	Scheduled Final Maturity
<i>FFGA Notes, Series 2012</i>	<i>\$200 Million</i>	<i>2.16%</i>	<i>Bank of America</i>	<i>December 1, 2012</i>	<i>December 1, 2016</i>

DTR Subordinate Lien Revenue Notes. On May 22, 2014, the Airports Authority refunded \$150 million of Dulles Toll Road Subordinate Lien Revenue Notes, Series 2013, with proceeds of the Series 2014A Bonds. As of June 1, 2014, no Subordinate Notes are outstanding. \$250 million of Subordinate Notes has been authorized but not issued.

Program	Authorized Amount	Purchaser	Dated Date	Scheduled Final Maturity
<i>DTR Subordinate Lien Revenue Notes, Series 2013</i>	<i>Up to \$400 Million</i>	<i>JP Morgan Chase Bank</i>	<i>November 22, 2013</i>	<i>November 19, 2014</i>

MONTHLY UPDATE: OUTSTANDING DULLES CORRIDOR ENTERPRISE DEBT**DULLES TOLL ROAD REVENUE BONDS**

The total par amount of outstanding Dulles Toll Road Revenue Bonds as of June 1, 2014 is \$1,727,666,518.² The tables below provide details on each series of bonds.

Structure and Credit Ratings

SERIES ³	2009A	2009B	2009C	2009D	2010A	2010B	2010D	2014A
DATED DATE	8/12/2009	8/12/2009	8/12/2009	8/12/2009	5/27/2010	5/27/2010	5/27/2010	5/22/2014
LIEN	First Senior	Second Senior	Second Senior	Second Senior	Second Senior	Second Senior	Subordinate	Second Senior
STRUCTURE	Tax-Exempt Current Interest Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt Current Interest Bonds
ORIGINALLY ISSUED PAR AMOUNT	\$198,000,000	\$207,056,689	\$158,234,960	\$400,000,000	\$54,813,219	\$137,801,650	\$150,000,000	\$421,760,000
AMT OUTSTANDING as of 06/01/2014	\$198,000,000	\$258,494,723	\$215,093,741	\$400,000,000	\$71,176,470	\$178,069,829	\$150,000,000	\$421,760,000
MOODY'S RATING	A2	Baa1	Baa1	Baa1	Baa1	Baa1	Baa2	Baa1
S&P RATING	A	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB+
CREDIT ENHANCEMENT ⁴	None	\$188,266,435 Assured Guaranty	\$158,234,960 Assured Guaranty	None	None	None	None	None

² The par amount does not include approximately \$165 million of net accreted value on outstanding capital appreciation bonds and convertible capital appreciation bonds. Interest on those securities is not paid currently. It accretes from the date of issuance and is compounded semi-annually on each April 1 and October 1 until the maturity date, or if applicable, the conversion date, whereupon interest will be payable semi-annually.

³ Series 2010C was authorized but not issued.

⁴ Bonds insured by Assured Guaranty are rated "AA-" (stable outlook) by S&P and "A2" (stable outlook) by Moody's.

Interest Rates and Call Provisions

SERIES ⁵	2009A	2009B	2009C	2009D	2010A	2010B	2010D	2014A
AMT OUTSTANDING as of 6/1/2014	\$198,000,000	\$258,494,723	\$215,093,741	\$400,000,000	\$71,176,470	\$178,069,829	\$150,000,000	\$421,760,000
LIEN	First Senior	Second Senior	Second Senior	Second Senior	Second Senior	Second Senior	Subordinate	Second Senior
STRUCTURE	Tax-Exempt Current Interest Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt CABs	Tax-Exempt Convertible CABs	Taxable Build America Bonds	Tax-Exempt Current Interest Bonds
PRINCIPAL AMORTIZATION	2030-2044	2012-2040	2038-2041	2045-2046	2029-2037	2040-2044	2042-2047	2051-2053
YIELDS ⁶	5.18% to 5.375%	3.50% to 7.91%	6.50%	7.462% (4.85% net of subsidy)	6.625%	6.500%	8.00% (5.20% net of subsidy)	4.40%
CALL PROVISIONS ⁷	October 1, 2019 at Par	Non-Callable	October 1, 2026 at Accreted Value	Any Business Day at Make-Whole Redemption Price	Non-Callable	October 1, 2028 at Accreted Value	Any Business Day at Make-Whole Redemption Price	April 1, 2022 at Par

Refunding Opportunities

The Series 2009A First Senior Current Interest Bonds may be refunded in advance of the 2019 call date. Under current market conditions, a refunding transaction would not generate sufficient debt service savings to pursue a transaction due to significant negative arbitrage in the required refunding escrow.

⁵ Series 2010C was authorized but not issued.

⁶ The all-in interest cost for the Series 2009, 2010 and 2014A bond issues is 6.044 percent, 6.154 percent and 4.824 percent, respectively, which results in an overall average cost of capital of 5.843 percent.

⁷ The Make-Whole Redemption Price is the greater of (i) 100 percent of the principal amount of the Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Bonds to be redeemed discounted to the date on which the Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the adjusted Treasury Rate plus 50 basis points, plus accrued and unpaid interest on the Bonds to be redeemed on the redemption date.